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FACTORS WHICH AFFECT THE FATS AND OILS SITUATION ^{1/}

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The best way to lick any inflationary spiral is to obtain greater production. This applies to fats and oils as well as other commodities. Any other way tends to be an ameliorative or substitute procedure. In addition, every new pound of fats and oils obtained in this country adds to world supplies and aids in meeting overseas needs. Therefore, the Fat Salvage Campaign is in a unique position of helping to effectuate two programs--greater production for home use and overseas needs and curtailing of inflationary trends.

As we move into the 1947-48 crop year, it seems a proper time for a re-valuation of the many factors which affect the fats and oils situation. It is easy to become so concerned with a specific phase of the problem that we can't take the time for an over-all review. That is what I am going to try to do this afternoon.

During the crop year over in September, we have had a domestic production of 9.6 billion pounds, with sizable net imports to add to supplies. Stocks were built up during the period by 100 million pounds to 1.3 billion on September 30--which was a low level compared with the 2 billion considered essential in so-called "normal" times. From the information presented by the Department of Agriculture to the industry at the meeting on November 24th, it is indicated that domestic disappearance approximated 10 billion pounds and provided a per capita disappearance of 68 pounds, of which 42 were edible fats and 26 inedible. This compares with the pre-war figures, on a calendar year basis, of the peak 1941 total of 77.6 pounds per capita, and a 1937-41 average of 70 pounds. The all-over figure is not exactly comparable as the component parts have changed--edible fats comprised 46 pounds and inedible 24 pounds of the earlier total. Thus present per capita consumption of edible fats is down 9 percent from the 1937-41 average while inedibles are up 8 percent.

Whereas in the 1946-47 crop year, all conditions which could be considered favorable, combined to bring out a heavier production than expected early in the season; the reverse seems to be true this season. Last year the lard take-off per animal was one of the heaviest on record. The cottonseed oil yield was at a peak, and soybean production was at an all-time high.

^{1/} Remarks before a conference of staff members of the Extension Service, U. S. Department of Agriculture, and representatives of the American Fat Salvage Committee, December 19, 1947.

We originally carried a total domestic edible vegetable oil production of 3 billion pounds for the 1947-48 crop year. However, the cottonseed oil figure was based on 311 pounds of oil per ton of seed, and recent reports show that 307 pounds is a more reasonable figure. Total production of the oil will be closer to 1,275 million pounds, rather than the original 1,300 million. Although the December crop report showed an improvement in soybean output, production will still be 20 million bushels under last year, totalling 181 million bushels. Under those conditions, the maximum crush in 1947-48 would be around 153 million bushels. With an oil yield approximating last season's of 9.0 pounds per bushel, oil production would be 1,375 million pounds, compared with 1,530 million in 1946-47.

Peanuts are still a question. With current prices for oil, they can be crushed without regard to the support program. Also the wet conditions of the crop may mean larger amounts to be crushed. We are, however, still carrying the low figure of 125 million pounds of oil as the policy is for encouraging exports of the nuts. There is also the possibility that there will be a greater hogging off than normal as a result of the poor condition of the crop.

Current trends do not favor output of animal fats--although we know how sharply the yield figure can change. The lard yield was 29 pounds per animal in the week of November 22 and 30 pounds in the following week. The corn-hog ratio was 10.4 for November, compared with 17.4 for the same month in 1946. (Corn-hog ratio is the number of bushels of corn necessary to equal the value of 100 pounds of live hog.) Our previous estimate of Federally inspected lard production was based on a yield of 32 pounds of lard per animal, which now appears high. The current short feed position could mean a drop in the lard yield to 31 pounds for the season or perhaps even further. With 31 pounds per animal and a slaughter of 47.5 million hogs under Federal inspection--the latter is also an estimate--production would be 1,475 million pounds.

Butter output is currently running 10 to 15 percent below last year. As this is the low point in the season, the decrease is not as important as output levels during the peak months of May through July next year. Factors contributing to the low output are the higher than expected demand for fluid milk and fluid milk products, as well as lower production of milk. The high cost of feed encourages the culling of dairy herds.

Although perhaps unnecessary to mention it, it is still pertinent to remind you that the shortage of butter was a major factor leading to the institution of rationing during the war. Output of creamery butter is now expected to reach only 1.4 billion pounds in the 1947-48 season--300 million pounds less than in 1942-43, and may drop even more. The downward trend in butter production could bring about new conditions in the postwar fats and oils picture. It seems unlikely that creamery butter output will ever again rise to the previous level of 1.8 billion pounds in the 1937-41 period. The demand for margarine is gaining new impetus, and the current situation may result in its acceptance on a far different basis than in prewar years.

Combining all these estimates, we find that edible fats may be down 200 million pounds from the original estimate and total 7,075 million--50 million pounds less than in the last crop year.

Inedible fats and oils will be up--but only as a result of an increased output of linseed oil. Tallow and grease production will be less by some four percent unless you are unable to increase your collections. Under current conditions of high prices, soapers have found it profitable from time to time to buy lard or rendered pork fat for use in the soap kettle. Every pound of fat you obtain helps to minimize this use--and it certainly should be minimized.

The next question in analyzing our fats and oils outlook is the position on exports. It is well known that to date the allocations to European nations in the fourth quarter moved slowly. The export allocation for the first quarter of 1948 of 87 million pounds of fats and oils is considerably under that for the last three months of 1947 and the first quarter allocation of 251.3 million pounds a year ago.

In a recent report to the Congress, information was given as to the expected amounts of fats and oils to be included in the Interim Aid Program. The demand for fats and oils is listed as \$8.1 million for Austria and \$16 million for France. The report states that 15,000 tons will be available from the U. S. for France, and of that, 12,800 tons is to be procured in December out of the French allocations from the U. S. for the fourth quarter of 1947. Considerable amounts are to be obtained from other dollar areas. In the case of Austria, too, very little, if any, new allocation is expected. Regarding Italy, the report states that only industrial fats and oils in the amount of 5,600 tons valued at \$1.3 million are included in requirements, to be obtained mostly from dollar areas outside the United States. Recent information indicates a good olive crop is now being harvested. It is expected that all edible fats and oils requirements for Italy will be satisfied either by direct olive oil consumption or by barter of olive oil for cheaper edible fats and oils. Thus the Interim Aid Program is not expected to be a drain on supplies above the amounts already provided for.

The last schedule of shipments under the European Recovery Program lists demand in the April-June period of 80 million pounds and in the fiscal year 1948-49 of approximately 325 million pounds. This compares with scheduled exports in 1948 to all areas of over 1 billion pounds.

Trying to evaluate domestic disappearance figures is particularly difficult. The low level of stocks means an accentuation of trends as they occur, also influenced by the changing export picture. In addition, the lack of information on retail and housewife holdings often leads to miscalculations. Right now, there is considerable feeling that bakers and housewives in particular, have replenished supplies and could stay out of the market for some time. In the case of soap, too, there are indications of overstocking. Recent consumption figures indicate disappearance in the fourth quarter above that of the fourth quarter last year. The all-time record production of margarine in October 1947 of 86 million pounds was a

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